Go for Growth Without Being Stupid: Here Are 3 Top Mid-Cap Stocks to Buy Now

Description

Hey there, Fools. I'm back to call attention to three attractive mid-cap stocks. As a quick reminder, I do this because high-quality mid-cap stocks have two very important features:

- far more growth potential (upside) than stodgy, old blue-chip stocks; and
- significantly lower risk (downside) than less-established small caps.

In other words, mid-cap stocks — those worth between $2 billion and $10 billion — strike a great balance of risk and reward.

Let's get to it.

Make a u-turn

Leading things off is **Linamar** (TSX:LNR), which sports a market cap of just of $3 billion. Shares of the auto parts specialist are down about 30% over the past year versus a flat return for the **S&P/TSX Capped Industrials Index**.

Trade worries weighed heavily on the stock in 2018, but the new USMCA could provide turnaround fuel in 2019. Moreover, Q3 EPS was up 5.5%, sales increased 18.6%, and free cash flow continued to bring down debt, so Linamar's business isn't exactly in bad shape.

"We are delighted to announce another quarter of double-digit sales and earnings growth." said CEO Linda Hasenfratz. "With USMCA terms agreed to we can continue to focus on growth opportunities in all of our business segments with certainty."

Currently, the stock sports a paltry forward P/E of 5.

Fair exchange

With a market cap of roughly $4 billion, **TMX Group** (TSX:X) is the next mid-cap star on our list.

Shares of the Toronto Stock Exchange operator are down 9% over the past year versus a gain of 4% for the **S&P/TSX Capped Financials Index**.

Expect TMX's business momentum to continue in 2019. In the most recent quarter, year-over-year diluted EPS climbed 10%, revenue increased 27%, and operating cash flow improved an impressive 58%.

"TMX has continued to evolve into a globally diversified business and, as our operating results for this past quarter and thus far in 2018 demonstrate, we are positioned to achieve long-term growth," said CEO Lou Eccleston.

With a beta of 1.4, the stock is somewhat on the volatile side. But given the company's steady growth trajectory and 3% dividend yield, the risk/reward trade-off looks attractive.

Not-so-foreign investment

Rounding out our list is **Quebecor** (TSX:QBR.B), which sports a market cap of about $7.5 billion. Shares of the Montreal-based telecom company are up 25% over the past year versus a gain of just 3% for the **S&P/TSX Capped Telecom Services Index**.

Like its stock price suggests, Quebecor's business is firing on all cylinders. In Q3, EPS increased 8%, adjusted EBITDA was up 8%, and revenue improved 1.7% to $1.06 billion. Videotron — Quebecor's internet service provider segment — continues to be the company's main source of growth.

"Videotron's success and market stature are holding strong," said President and CEO Pierre Karl Péladeau. "In a sign that our efforts to address the needs of younger customers are paying off, Videotron was ranked the coolest telecom by Quebecers aged 13 to 34 in the first Léger youth poll."

Currently, the stock trades at a reasonable forward P/E in the mid-teens.

The bottom line

There you have it, Fools: three attractive mid-cap stocks for you to check out.

As always, don't view them as formal recommendations. Instead, see them as a jumping-off point for more homework. Even solid mid-cap stocks can carry significant risk, so plenty of due diligence is still required.

Fool on.

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2. TSX:QBR.B (Quebecor Inc.)

3. TSX:X (TMX Group)

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Date
2025/07/21
Date Created
2019/01/19
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